

ANNE ARUNDEL COUNTY, MARYLAND
Annapolis, Maryland

REPORT ON SINGLE AUDIT
June 30, 2011

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**Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

The Honorable County Executive John Leopold
The Honorable Members of the County Council
Anne Arundel County, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the budgetary comparison of the General Fund and the aggregate remaining fund information of Anne Arundel County, Maryland (the County), as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the component unit financial statements of the Anne Arundel Community College, the Anne Arundel Economic Development Corporation, the Tipton Airport Authority and the Anne Arundel Workforce Development Corporation, which represent 13 percent, 12 percent, and 21 percent, respectively, of the assets, net assets and revenues of the component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned component units, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Anne Arundel Community College, the Tipton Airport Authority, and the Anne Arundel Workforce Development Corporation audited by other auditors were audited in accordance with *Government Auditing Standards*. The financial statements of the Anne Arundel Economic Development Corporation audited by other auditors were not audited in accordance with *Government Auditing Standards*. The report does not include the results of the other auditors' testing of internal controls over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Anne Arundel County, Maryland's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs and responses, as 2011-1 and 2011-2 to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County in a separate letter dated December 22, 2011.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the County, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Clifton Henderson LLP".

Baltimore, Maryland
December 22, 2011

**Independent Auditor's Report on Compliance With Requirements that
Could have a Direct and Material Effect on Each Major Program and
on Internal Control Over Compliance and Schedule of Expenditures
of Federal Awards in Accordance with OMB Circular A-133**

The Honorable County Executive John Leopold
The Honorable Members of the County Council
Anne Arundel County, Maryland

Compliance

We have audited the compliance of Anne Arundel County, Maryland (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Anne Arundel County, Maryland's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Anne Arundel County, Maryland's management. Our responsibility is to express an opinion on Anne Arundel County, Maryland's compliance based on our audit.

The County's financial statements include the operations of the Anne Arundel County Retirement and Pension System, the Anne Arundel County Board of Education, the Anne Arundel Community College, the Public Library of Annapolis and Anne Arundel County, the Anne Arundel Economic Development Corporation, Inc., the Tipton Airport Authority, and the Anne Arundel Workforce Development Corporation which received federal awards(where applicable), and which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2011. We were separately engaged to perform and we have separately reported on the results of our audit of the Anne Arundel County Board of Education and the Anne Arundel County Retirement and Pension System. Anne Arundel Community College, the Public Library of Annapolis and Anne Arundel County, the Anne Arundel Economic Development Corporation, the Tipton Airport Authority and the Anne Arundel Workforce Development Corporation reported separately a schedule of expenditures of federal awards and engaged another auditor to perform an audit in accordance with OMB Circular A-133, where applicable.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Anne Arundel County, Maryland's compliance with those requirements and performing such other procedures as we

considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Anne Arundel County, Maryland's compliance with those requirements.

In our opinion, Anne Arundel County, Maryland complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with the allowable costs and activities and suspension and debarment requirements, which are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying schedule of findings and questioned costs as items 2011-3 and 2011-4.

Internal Control Over Compliance

The management of Anne Arundel County, Maryland is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Anne Arundel County, Maryland's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as items 2011-3 and 2011-4. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

We, CliftonLarsonAllen LLP, formed as a result of a combination of Clifton Gunderson LLP and LarsonAllen LLP on January 2, 2012, audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Anne Arundel County, Maryland (the County) as of and for the year ended June 30, 2011, which collectively comprise Anne Arundel County, Maryland's basic financial statements and have issued our report thereon dated December 22, 2011. We did not audit the financial statements of the Anne Arundel Community College, the Anne Arundel Economic Development Corporation, the Tipton Airport Authority, and the Anne Arundel Workforce Development Corporation. The federal expenditures, where applicable, for the Arundel County Board of Education, the Pension Trust Funds, the Anne Arundel Community College, the Tipton Airport Authority, and the Anne Arundel Workforce Development Corporation are not included in the accompanying schedule of expenditures and federal awards. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprises the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Management's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Management's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the County Executive and County Council of Anne Arundel County, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

Baltimore, Maryland

March 2, 2012, except for the Schedule of

Expenditures of Federal Awards which is December 22, 2011

ANNE ARUNDEL COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Grant Title	CFDA Number	Grant Number	Federal Expenditures
<u>Direct Federal Grants:</u>			
Corporation for National & Community Service-			
Retired & Senior Volunteer Program:			
Year ending December 31, 2010	94.002	09SRAMD002	35,915
Year ended December 31, 2011	94.002	09SRAMD002	29,227
Foster Grandparents Program:			
Year ending December 31, 2010	94.011	09SFAMD003	120,690
Year ended December 31, 2011	94.011	09SFAMD003	107,331
Total Corporation for National & Community Service			293,163
Department of Defense-			
Fort Meade Region BRAC Planning	12.607	RA0622-10-02	504,110
Total Department of Defense			504,110
Department of Energy-			
Energy Block Grant (ARRA)	81.128	DE-EE00000739	2,581,256
Total Department of Energy			2,581,256
Department of Housing & Urban Development-			
Community Development Block Grants:			
2006-2007	14.218	B-06-UC-24-0010	31
2007-2008	14.218	B-07-UC-24-0010	7,081
2008-2009	14.218	B-08-UC-24-0010	52,511
2009-2010	14.218	B-09-UC-24-0010	673,358
2010-2011	14.218	B-10-UC-24-0010	1,901,032
2009-2010 CDBG Recovery Grant (ARRA)	14.253	B-09-UY-24-0001	32,625
2009-2010 Homeless Prevention & Rapid Recovery (ARRA)	14.257	S-09-UY-24-0001	443,157
Emergency Shelter Grants:			
2009	14.231	S-09-UC-24-0001	1,951
Supportive Housing Program:			
Continuum of Care- Arundel HOH/Fouse Ctr	14.235	MD06B70-3007	109,324
Continuum of Care- Arundel HOH/Safe Haven I	14.235	MD06B70-3002	39,612
Continuum of Care- Arundel HOH/Safe Have II	14.235	MD06B70-3001	42,282
Continuum of Care- Permanent Supportive Hsng	14.235	MD06B70-3004	139,597
Continuum of Care- Shelter Mental Health	14.235	MD06B70-3009	34,268
Continuum of Care- Mental Health Agency	14.235	MD06B70-3003	168,230
Continuum of Care- Anne Arundel Partnership	14.235	MD06B70-3005	242,624
Continuum of Care- Sarah's House	14.235	MD06B70-3006	329,983
Continuum of Care- Annapolis Area Ministries	14.235	MD06B70-3008	26,389
Continuum of Care- Arundel HOH - WISH Program	14.235	MD0108B3B030801	30,373
Continuum of Care- Arundel HOH/Community Housing	14.235	MD0238B3B030900	19,175
Continuum of Care- Housing Commission Permanent	14.235	MD0113B3B030801	103,161
Continuum of Care- Samaritan Housing Program	14.235	MD0104B3B03080	51,176
Continuum of Care- Mental Health Agency	14.235	MD0105B3B030801	7,959
Continuum of Care- Annapolis Area Ministries	14.235	MD0106B3B030801	23,871
Continuum of Care- Anne Arundel Partnership	14.235	MD0107B3B030801	12,434
Continuum of Care- AHH Fouse Center	14.235	MD0109B3B030801	8,791
Continuum of Care- AHH Safe Haven I	14.235	MD0110B3B030801	19,725
Continuum of Care- AHH WISH Program	14.235	MD0108B3B030801	16,503
Continuum of Care- Shelter Mental Health	14.235	MD0112B3B030801	31,098

ANNE ARUNDEL COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Grant Title	CFDA Number	Grant Number	Federal Expenditures
HOPWA:			
HOPWA 2008-2009	14.241	MD-09-UC-24-0200	14,511
HOPWA 2009-2010	14.241	MD-10-UC-24-0200	402,359
HOPWA 2010-2011	14.241	MD-11-UC-24-0200	15,847
HOME Investment Partnership Program:			
2007	14.239	M-07-UC-24-0200	39,474
2009	14.239	M-09-UC-24-0200	144,923
2010	14.239	M-10-UC-24-0200	903,073
Total Department of Housing & Urban Development			6,088,508
Department of Health & Human Services			
Drug Free Communities Support Program			
2008	93.276	5H79SP013459-04	21,731
2009	93.276	5H79SP013459-04	78,973
Total Department of Health & Human Services			100,704
Department of Justice-			
Equitable Shared - Drug Enforcement Administration	16.000	MD 0020200	189,626
State Criminal Alien Assistance Program	16.606	2009-AP-BX-0544	70,551
Paul Coverdell National Forensic Sciences	16.742	2009-CD-BX-0065	20,276
Forensic Casework DNA Backlog 2007	16.743	2007-DN-BX-K122	67,809
Forensic Casework DNA Backlog 2008	16.743	2008-DN-BX-K034	53,578
Forensic Casework DNA Backlog 2009	16.743	2009-DN-BX-K055	89,278
Forensic Casework DNA Backlog 2010	16.743	2010-DN-BX-K126	8,260
Byrne Memorial Justice Grant	16.738	2009-DJ-BX-0349	61,994
Byrne Memorial Justice Grant	16.738	2010-DJ-BX-0804	212,863
Byrne Memorial Justice Grant (ARRA)	16.804	BJAG-2009-1034	503,848
Byrne Hiring Civilian Analyst (ARRA)	16.804	BJRA-2009-1034	82,589
Total Department of Justice			1,360,672
Department of Homeland Security-			
Port Security Program (ARRA)	97.116	2009-PUR10158	139,816
Marley Fire Station replacement (ARRA)	97.115	EMW-2009-FC-04550R	186,610
Total Department of Homeland Security			326,426
Federal Through State Grants:			
Department of Agriculture-			
Maryland State Health Department:			
Special Supplemental Food Program for Women, Infants and Children - 2008	10.557	4705/WI-174-WIC	1,362,892
Maryland State Department of Human Resources:			
Emergency Food Assistance Program:			
Food Bank - 2007	10.568	CSA/FNS 06-002	8,451
Emergency Food Assistance 2010 (ARRA)	10.569	OGM/FNS-09-002-A3/ARRA	7,323
Total Department of Agriculture			1,378,666
Department of Commerce			
Department of Natural Resources			
Maryland Chesapeake Coastal Program	11.419	14-10-1316 CZM170	11,590
Maryland Chesapeake Coastal Program	11.419	14-11-1392 CZM204	34,687
Jug Bay Sanctuary Enhancements	11.420	14-101333CBR150	5,000
Total Department of Commerce			51,277

ANNE ARUNDEL COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Grant Title	CFDA Number	Grant Number	Federal Expenditures
Department of Education-			
Maryland Department of Education:			
Staff Development	45.310	901804	4,094
Increased Bandwidth for Libraries	45.310	116107	48,500
Staff Development	45.310	116128	1,907
Total Department of Education			<u>54,501</u>
Environmental Protection Agency			
Maryland Department of the Environment			
Capitalization Grants for State Revolving Fund	66.458	DL3050C/DL3042C	553,727
Total Environmental Protection Agency			<u>553,727</u>
Department of Homeland Security-			
Maryland State Emergency Management Agency-			
UASI:			
Emergency Management Support	97.008	2008-GE-T8-0011	22,651
Emergency Management Support	97.008	2009-SS-T9-0080	104,669
FFY 2007 UASI Volunteer Centers	97.008	2007-GE-T7-0040	4,194
FFY 2008 UASI Volunteer Centers	97.008	2008-GE-T8-0011	9,710
UASI- Aviation Equipment	97.008	2009-SS-T9-0080	43,885
UASI- EMNET PC Upgrades	97.008	2009-SS-T9-0080	2,183
UASI- Hospital Training	97.008	2009-SS-T9-0080	4,500
UASI- High School Education	97.008	2009-SS-T9-0080	63,828
UASI- Intelligence Equipment	97.008	2009-SS-T9-0080	47,559
UASI- Quick Response Training	97.008	2009-SS-T9-0080	14,650
UASI- SQL Server Purchase	97.008	2009-SS-T9-0080	2,999
UASI- Sheltering	97.008	2009-SS-T9-0080	8,705
UASI- MCCU Vehicle Maintenance 2008	97.008	2008-GE-T8-0011	16,190
UASI- MCCU Vehicle Maintenance 2009	97.008	2009-GE-T9-0080	3,570
UASI- Incident Management Training 2008	97.008	2008-GE-T8-0011	42,007
UASI- Incident Management Training 2009	97.008	2009-SS-T9-0080	37,720
UASI- Hazardous Material Support	97.008	2008-GE-T8-0011	29,669
UASI- Hazardous Material Support	97.008	2009-SS-T9-0080	16,490
UASI- Closed Circuit Television	97.008	2008-GE-T8-0011	105,109
UASI- Conference	97.008	2008-GE-T8-0011	785
UASI- Ambulance Buses	97.008	2008-GE-T8-0011	380,702
UASI- WEB- EOC 2008	97.008	2008-GE-T8-0011	15,008
UASI- WEB- EOC 2009	97.008	2009-SS-T9-0080	1,017
UASI- Plate Readers	97.008	2008-GE-T8-0011	4,290
UASI- Tactical Equipment 2008	97.008	2008-GE-T8-0011	91,738
UASI- Tactical Equipment 2009	97.008	2009-SS-T9-0080	39,278
UASI- Tactical Equipment 2010	97.008	2010-SS-T0-0025	17,944
UASI- Cell Trackers	97.008	2008-GE-T8-0011	366,376
UASI- K-9 and Training	97.008	2009-SS-T9-0080	2,964
UASI- Tech Training WEB EOC	97.008	2009-SS-T9-0080	1,500
Port Security Program	97.056	2007-GB-T7-K312	74,916
Emergency Management Performance Program	97.042	2010-EPEO-0041	239,249
Hazardous Materials Emergency Preparedness Program	97.093	MOA dated 12/15/09	8,996
State Homeland Security Program	97.067	MOA dated 1/24/08	617,617
Buffer Zone Protection Program	97.078	2008-BZ-T8-0004	158,002
Citizens Corps/Cert Grant	97.067	MOA dated 1/24/08	8,707
Total Department of Homeland Security			<u>2,609,377</u>
Department of Housing and Urban Development			
Maryland Department of Housing and Community Development-			
Neighborhood Conservation Initiative	14.218	MD-NCI-6	153,752
Total Department of Housing and Urban Development			<u>153,752</u>

ANNE ARUNDEL COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Grant Title	CFDA Number	Grant Number	Federal Expenditures
Department of Health and Human Services-			
Maryland State Department of Human Resources-			
Child Support Enforcement:			
Sheriff's Cooperative Agreement 2010	93.563	CSEA/CR10-032	173,987
Sheriff's Cooperative Agreement 2011	93.563	CSEA/CR11-032	538,647
Sheriff's Incentive Grant	93.563	CSEA/CR08-032	6,715
Kinship Connections Matter	94.605	SSA-90CF0013/01	45,890
Maryland State Office on Aging:			
Preventive Health Services (IIID)	93.043	AAA-3-24-002	18,646
National Family Care Giver (IIIE)	93.052	324-AAA-001	149,447
Friendly Visiting T-III B	93.044	AAA-3-24-002	21,783
Legal Aid Bureau III B	93.044	AAA-3-24-002	35,804
Nutrition IIIC	93.045	ST-2502-002	468,386
Ombudsman / Elder Abuse Title VII	93.042	AAA-3-24-002	2,836
Nutrition Services Incentive	93.053	ST-2505-02	107,414
Senior Care Title III-B	93.044	AAA-3-24-002	81,414
Home Delivery of Meals Title III C-2	93.045	ST-2503-002	179,039
Curb Abuse of Medicare & Medicaid	93.779	ST-2510-002	48,978
Administration - IA-IIIB	93.048	AAA-3-24-002	186,097
Telephone Reassurance - IA	93.044	AAA-3-24-002	12,298
Title IIIB Housing (Elderly Abuse)	93.048	AAA-3-24-002	4,238
Chronic Disease Self Management (ARRA)	93.725	ST-2508.002	16,985
Maryland State Dept. of Health and Mental Hygiene:			
PHP: Planning & Readiness	93.283	43350, 43359	412,531
PHP: Cities Readiness Initiative	93.283	43440, 43449	141,760
Diag. & Tmt of B & CC	93.283	4676	220,330
Healthy Start	93.778	4564	200,000
Admin. Care Coord.	93.778	4730	204,810
PWC/MD Kids Ct	93.778	4731	481,025
M/A General Transportation	93.778	4737	592,143
Ryan White II-Consortia	93.917	4763/AD421CON	336,116
Family Planning	93.217	4691	138,508
School Health Targeted	93.994	4417	380,171
Immunization Service Delivery	93.268	4748	101,649
Health Education Risk Reduction	93.940	4764	67,565
HIV Partner Notification	93.940	4744	11,050
Local Prevention Initiatives	93.940	4765	120,000
Ryan White I, (Assoc Black Charities)	93.914	4632, 463210	246,473
Addictions Prevention	93.959	4841/MU611ADP	287,259
Addictions Treatment	93.959	4840	1,710,152
Cardiovascular Risk Reduction	93.991	4679/FH478NRR	54,053
Injury Prevention	93.136	4683	4,615
Oral Rabies Vaccine	10.028	4311	78,558
WIC Training Grant	10.557	4559	245,696
WIC Breastfeeding	10.557	4538	90,183
Immunizations (ARRA)	93.712	4258	72,975
Sexually Transmitted Diseases	93.977	4741	34,687
Total Department of Health and Human Services			8,330,913

ANNE ARUNDEL COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Grant Title	CFDA Number	Grant Number	Federal Expenditures
Department of Justice-			
Maryland State Police			
Youth Recidivism Reduction	16.738	BJAG-2009-1036	16,115
Disproportionate Minority Contact	16.540	JJAC-2006-1035	78,866
Paul Coverdell Forensic Science 10	16.742	CFSI-2009-1801	15,097
Paul Coverdell Forensic Science 11	16.742	CFSI-2010-1901	6,719
Victim Witness Notification Specialists	16.575	VOCA-2010-1042	160,650
VAWA-Victim Safety	16.588	BJAG-2007-1232	3,098
LETS- Compstat Training	16.738	BJAG-2007-1143	39
LETS- Computer & Cell Technology	16.738	BJAG-2007-1225	2,924
ARRA - Strengthening Families	16.803	4617	12,410
Danger Assessment Advocate	16.738	VOCA-2010-1274	41,995
Total Department of Justice			<u>337,913</u>
Department of Labor-			
Maryland Department of Labor, Licensing & Regulations			
WIA Title 1 Grant	17.258	P00B3200021	1,058,103
WIA (ARRA)	17.258	P00B9200161	27,355
WIA (ARRA)	17.259	P00B9200161	39,685
WIA (ARRA)	17.260	P00B9200161	138,252
Total Department of Labor			<u>1,263,395</u>
Department of Transportation-			
Maryland Department of Transportation			
2010 Community Traffic Safety	20.601	10-152	70,333
2011 Community Traffic Safety	20.601	11-191	90,293
State Highway Administration			
Federal Bridge Repair Prgm: Sands Rd Brdg/Ferry Branch	20.205	AA595ZM2	130,020
Road Reconstruction (ARRA)	20.205	AA769ZM1	2,946,038
Highway Safety Improvement- Adaptive Control Software Project	20.205	AA7685M1	112,960
Mass Transit Administration:			
Ridesharing	20.507	MD-95-0009	193,397
Total Department of Transportation			<u>3,543,041</u>
<u>Federal Through Local Grants:</u>			
Department of Justice-			
Cal Ripken Senior Foundation			
Badges for Baseball (ARRA)	16.803	BJRA-2009-1120	15,445
Total Department of Justice			<u>15,445</u>
Department of Health and Human Services-			
Friends of the Family			
Family Support Center	93.558	Agreement Dated 06/30/10	254,439
University of Maryland, College Park			
High Intensity Drug Trafficking Area	95.001	Z951404	126,959
Total Department of Health and Human Services			<u>381,398</u>
Department of Transportation-			
Baltimore Metropolitan Council			
UPWP Federal Transit Metro Planning	20.505	Agreement Dated 06/30/10	274,361
Total Department of Transportation			<u>274,361</u>
Total - All grants			<u><u>30,202,605</u></u>

ANNE ARUNDEL COUNTY, MARYLAND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011

NOTE 1 – SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

All federal award programs operated by Anne Arundel County, Maryland, are included in the scope of the OMB Circular A-133 audit. Federal awards of the Anne Arundel County Retirement and Pension System, the Anne Arundel County Board of Education, the Anne Arundel Community College, the Public Library of Annapolis and Anne Arundel County, the Anne Arundel Economic Development Corporation, Inc., the Tipton Airport Authority, and the Anne Arundel Workforce Development Corporation, component units, are not included in the Schedule of Federal Awards. Compliance testing of all applicable compliance requirements, as described in the Office of Management Budget's Compliance Supplement for A-133, was performed for all major programs.

NOTE 2 – FISCAL PERIOD AUDITED

Single audit testing procedures were performed for transactions occurring during the fiscal year ended June 30, 2011.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

All Governmental Funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available as net current assets. Grant revenues recorded in Governmental Funds are recognized as revenue in the accounting period during which the expenditure is made.

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A133, audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 4 – CATEGORIZATION OF EXPENDITURES

The categorization of expenditures by program included in the Schedule of Expenditures of Federal Awards is based on the Catalog of Federal Domestic Assistance (CFDA). Changes in the categorization of expenditures occur based on revisions to the CFDA, which are issued in June and December of each year. In accordance with the County's policy, the Schedule of Expenditures of Federal Awards for the year ended June 30, 2011, reflects CFDA changes issued through June 2011.

NOTE 5 – NONCASH ASSISTANCE

The County receives food commodities from the Federal Government. During the year ended June 30, 2011, the fair market value of the commodities received was estimated at \$737,300 whole sale value. These commodities are delivered to the Anne Arundel County Food Bank, Inc., an independent organization, which is responsible for distributing the food to eligible County residents. This amount is not included in the Schedule of Expenditures of Federal Awards.

ANNE ARUNDEL COUNTY, MARYLAND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011

NOTE 5 – NONCASH ASSISTANCE (CONTINUED)

Distribution costs related to the program were paid by the County and reimbursed by the Federal Government. These costs totaled approximately \$15,800 during the year ended June 30, 2011, and have been included in the Schedule of Expenditures of Federal Awards.

NOTE 6 – REVOLVING LOAN PROGRAM

The County participates in the Environmental Protection Agency's Capitalization Grants for State Revolving Funds loan program (federal catalog number 66.458). The amount due to the State of Maryland under this program as of the beginning of the year ended June 30, 2010, was approximately \$24,463,600 and current year activity was a net paydown to the revolving loan program of approximately \$1,463,000 resulting in a balance due to the State of Maryland as of June 30, 2011 of approximately \$23,000,600.

**NOTE 7 – COMMUNITY DEVELOPMENT BLOCK GRANT, SECTION 108 LOAN
GUARANTEE**

A Section 108 Loan payable to HUD with interest at 5.0% is secured by future HUD allocations or grants which may become available to the County, program income, and all funds or investments in accounts established for the administration of this loan. Interest is payable semiannually and principal payments of \$410,000 are due annually beginning August 1, 2008 and ending August 1, 2011.

Maturities of the Note are as follows:

Years Ending June 30,

2012	<u>410,000</u>
Total	<u>\$ 410,000</u>

NOTE 8 – MARYLAND STATE DEPARTMENT OF HEALTH AND MENTAL HYGIENE

The Maryland State Department of Health and Mental Hygiene pays expenses for employee salaries and employee benefits for certain county programs. The County records these amounts on the Schedule of Expenditures of Federal Awards and in its basic financial statements to fully reflect the operations of these programs.

ANNE ARUNDEL COUNTY, MARYLAND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011

NOTE 9 – SUBRECIPIENTS

Of the federal expenditures presented in the accompanying schedule, the County provided federal awards to subrecipients as follows for the year ended June 30, 2011:

Program Title	Federal CFDA Numbers	Amount Provided to Subrecipients
Energy Block Grant (ARRA)	81.128	\$ 2,581,256
Community Development Block Grants:	14.218	
2006-2007		31
2007-2008		7,081
2008-2009		52,511
2009-2010		673,358
2010-2011		1,901,032
2009-2010 CDBG Recovery Grant (ARRA)	14.253	32,625
2009-2010 Homeless Prevention & Rapid Recovery (ARRA)	14.257	443,157
Emergency Shelter Grants:	14.231	
2009		1,951
Supportive Housing Program:	14.235	
Continuum of Care- Arundel HOH/Fouse Ctr		109,324
Continuum of Care- Arundel HOH/Safe Haven I		39,612
Continuum of Care- Arundel HOH/Safe Haven II		42,282
Continuum of Care- Permanent Supportive Hsng		139,597
Continuum of Care- Shelter Mental Health		34,268
Continuum of Care- Mental Health Agency		168,230
Continuum of Care- Anne Arundel Partnership		242,624
Continuum of Care- Sarah's House		329,983
Continuum of Care- Annapolis Area Ministries		26,389
Continuum of Care- Arundel HOH - WISH Program		30,373
Continuum of Care- Arundel HOH/Community Housing		19,175
Continuum of Care- Housing Commission Permanent		103,161
Continuum of Care- Samaritan Housing Program		51,176
Continuum of Care- Mental Health Agency		7,959
Continuum of Care- Annapolis Area Ministries		23,871
Continuum of Care- Anne Arundel Partnership		12,434
Continuum of Care- AHH Fouse Center		8,791
Continuum of Care- AHH Safe Haven I		19,725
Continuum of Care- AHH WISH Program		16,503
Continuum of Care- Shelter Mental Health		31,098
HOPWA:	14.241	
HOPWA 2008-2009		14,511
HOPWA 2009-2010		402,359
HOPWA 2010-2011		15,847
HOME Investment Partnership Program:	14.239	
2007		39,474
2009		144,923
2010		903,073
WIA Title 1 Grant	17.258/17.259/17.260	1,058,103
WIA (ARRA)	17.258/17.259/17.260	205,292
Total		<u>\$ 9,933,158</u>

ANNE ARUNDEL COUNTY, MARYLAND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011

**NOTE 10 – RELATION TO GENERAL PURPOSE FINANCIAL STATEMENTS AND
FINANCIAL FEDERAL REPORTS**

The following schedule reconciles the amount per the financial statements to the amounts per the Schedule of Expenditures of Federal Awards for the year ended June 30, 2010:

	<u>Total</u>
BALANCE PER GENERAL LEDGER	
Federal Expenditures	\$ 32,032,205
LESS	
Medicaid Expenditures, Patient Care Portion	<u>1,829,599</u>
TOTAL PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	<u>\$ 30,202,606</u>

ANNE ARUNDEL COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not
considered to be material weaknesses? X yes _____ no
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not
considered to be material weakness(es)? X yes _____ none
reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in
accordance with Section 510(a) of OMB Circular A-133? X yes _____ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medicaid
20.205	Highway Planning and Construction - ARRA
97.115	Assistance to Firefighters - ARRA
93.044, 93.045, 93.053	Special Programs for the Aging Cluster
93.959	Addictions Prevention/Treatment Block Grants
97.008	UASI
14.218, 14.253	Community Development Block Grants ARRA Cluster
14.257	Homelessness Prevention and Rapid Re-Housing
81.128	Energy Block Grant - ARRA
16.738, 16.804	Bryne Memorial Justice Grant ARRA Cluster
93.268, 93.712	Immunizations ARRA Cluster
97.116	Port Security Grant - ARRA

Dollar threshold used to distinguish between type A and type B programs: \$906,078

Auditee qualified as low-risk auditee? _____ yes X no

ANNE ARUNDEL COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

II. Financial Statement Findings

Finding Reference: 2011-1

Description: Preparation of Basic Financial Statements in Accordance with GAAP

Type of Finding: Significant Deficiency

Condition/Context

We noted certain errors that required adjustment to properly reflect the financial activities of the County. These errors resulted from improper interpretation of government accounting principles and the County Code. A more detailed summary of these deficiencies is as follows:

Application of Government Accounting Principles

We found that the Office of Finance did not properly apply governmental accounting principles and certain provisions of the County Code to prepare the basic financial statements. Errors were noted in calculation and classification of certain items as noted below:

- Within the Reforestation Fund, the County improperly recorded deferred revenue of approximately \$2.4 million relating to amounts received for fees in lieu of replanting. Effective September 6, 2010, County law was changed through the passing of Bill 50-10 to match the language of the Annotated Code of Maryland. This bill removed the requirement to spend such funds within two years or three growing seasons, or refund the applicant. As such, all fees in lieu of replanting that are received should be immediately recognized as revenue.
- The County improperly recorded a bond premium in the amount of \$6.3 million within the Capital Projects fund instead of recognizing the amount as revenue within the Bond Premium Special Revenue Fund in accordance with County Code.

Inadequate Review Procedures

We noted that the Office of Finance does not have appropriate review procedures in certain areas to ensure that the financial statements are fairly stated. The staff places heavy reliance on complex spreadsheets to determine financial statement amounts and related entries. In some instances, we noted errors in the underlying information used to create the spreadsheets, as well as in the reporting of the information in the spreadsheets. We noted the following errors:

- The County's calculation of the liability related to other post-employment benefits (OPEB) and related expense improperly used the annual required contribution (ARC) rather than the annual OPEB cost (AOC), resulting in an understatement, in total, of the annual expense and liability of approximately \$683,000.
- The County did not properly begin to record depreciation expense on certain capital projects that were 95 percent complete, as per the County policy. Some of these

ANNE ARUNDEL COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

projects were completed in 2010 or prior. This resulted in an understatement of depreciation expense of approximately \$800,000, an overstatement of beginning fund balance of approximately \$3.8 million, and an overstatement of fixed assets of approximately \$4.6 million.

To enhance the accuracy of the County's financial reporting, we recommend that the Office of Finance develop less complex methods of compiling financial data and that the Office of Finance enhance its review procedures to include upper-level management reviews of documentation supporting balances in the financial statements as well as the financial statements.

Criteria

The Internal Control-Integrated Framework (COSO Report) requires adequate internal controls over financial reporting to ensure that transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and demonstrate compliance with laws, regulations and other compliance requirements.

Cause

These deficiencies resulted from inadequate understanding of government accounting principles and inadequate review and reconciliation procedures.

Effect

If these deficiencies are not corrected, the County has a continued risk that material misstatements and errors and irregularities, including fraud, could go undetected. It also increases the risk that financial decisions may be made based on inaccurate financial information that does not provide a true picture of the financial condition of the County.

Recommendation

To enhance the accuracy of the County's financial reporting, we recommend that the Office of Finance develop less complex methods of compiling financial data and that the Office of Finance enhance its review procedures to include upper-level management reviews of documentation supporting balances in the financial statements as well as the financial statements.

Management's Response

For all issues noted, the Office of Finance agrees to continue to review the methods used to compile financial data to simplify this process and to evaluate its review procedures of the information included in the financial statements. For two of the bullets noted, Finance would also like to add additional explanation.

Regarding deferred revenue in the Reforestation Fund, after the passing of legislation Finance did not change accounting practice because Code of Maryland Regulations governing this fund had not changed as well. Finance accounted for the deferred revenue in accordance with COMAR. Legal counsel advised that the County Code overrides COMAR, the correction to the accounting records were made after audit review. Finance agrees that revenues will be recognized as per the County Code.

ANNE ARUNDEL COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

Regarding the bond premium issue, this was a new process in fiscal year 2011. The funds were originally recorded in the Capital Projects Fund since that is the required use per the tax certificate. The funds were transferred to the Bond Premium Fund after audit review. Subsequent premiums will be recorded in the Bond Premium Fund and then transferred to the Capital Project Fund per legal requirements stated in tax law.

Finding Reference: 2011-2

Description: Inadequate Monitoring of Financial Data Processed BY THE
DEPARTMENT OF PUBLIC WORKS (DPW) - utilities

Type of Finding: Significant Deficiency

Condition/Context

Significant financial data is prepared or compiled by departments other than the Office of Finance. Our assessment of the internal controls over the Department of Public Works revealed a need for enhanced review procedures.

Currently, the DPW tracks revenues, deferred revenues, and related receivables using a detailed and complex spreadsheet with voluminous amounts of information (project file listing). The accuracy of the information in the project file listing is imperative to determine when revenues, deferred revenues, and related receivables should be recognized and reported to the Office of Finance. We noted certain instances where information was incorrectly inputted into the project file listing. Furthermore, there is no current process to track equivalent dwelling unit relinquishments during the year. These errors and lack of real time data increase the possibility that the financial data is not accurately accumulated and reported to the Office of Finance.

Criteria

The Internal Control-Integrated Framework (COSO Report) requires adequate internal controls over financial reporting to ensure that transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and demonstrate compliance with laws, regulations and other compliance requirements.

Cause

Significant financial data is prepared or compiled by departments other than the Office of Finance. The departments preparing or compiling financial data outside of the Office of Finance display inadequate review of transactions and insufficient internal controls to identify errors timely

Effect

If these deficiencies are not corrected, the County has a continued risk that material misstatements and errors and irregularities, including fraud, could go undetected.

Recommendation

We understand that DPW and the Office of Finance work together to perform an annual review of this information. However, given the volume, complexity, and inherent lack of automated controls, an annual review is not sufficient to detect errors and misstatements on a timely basis. We recommend that management implement more frequent review procedures,

ANNE ARUNDEL COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

including verifying the accuracy of the data, in order to make this review more manageable and effective.

While we did not note any properties that were improperly excluded from tax sale, we did note the DPW and the Office of Finance lack formal procedures to ensure properties are properly taken to tax sale in accordance with the provisions of the County Code. We recommend that the Office of Finance implement clear and concise written procedures to ensure that properties are properly taken to tax sale on a timely basis.

Management's Response

While this finding does not cite any material impact as it relates to DPW's current financial data management practices, DPW agrees that improvements can be made. The auditors correctly note that the data management needs in the Bureau of Utilities are voluminous, complex, and lack automation in some cases. DPW will work with the Office of Finance to develop a structured program of regular reviews of data files to ensure complete and accurate information is retained to limit the potential for significant and costly errors. Finance will be utilizing its internal auditor position to coordinate this effort with DPW. Finance agrees to formally document its procedures over properties taken to tax sale, but would point out that there were no problems noted in fiscal year 2011.

In addition to the significant deficiencies discussed above, we noted the following matters which we would like to bring to your attention.

III. Federal Award Findings and Questioned Costs

Finding Reference: 2011-3

Federal Agency:	U.S. Department of Justice U.S. Department of Transportation
Federal Program:	16.738, 16.804 – Byrne Memorial Justice Grants 20.205 – Highway Planning and Construction
Compliance Requirement:	Procurement, Suspension & Debarment
Type of Finding:	Significant Deficiency in Internal Control, Noncompliance

Condition/Context

Byrne Memorial Justice Grants - For one of four vendor contracts selected for testing, the County did not properly verify that the vendor was not suspended or debarred from receiving federal funds.

Highway Planning and Construction Grants - For two of two vendor contracts selected for testing, the County did not properly verify that the vendor was not suspended or debarred from receiving federal funds.

Criteria

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. When a non-

ANNE ARUNDEL COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Cause

The County did not perform a verification of suspension and debarment of potential award vendors as part of its procurement process.

Effect

The County is not in compliance with federal suspension and debarment requirements for procurement contracts of goods and services.

Questioned Costs

There are no questioned costs related to this finding, as the vendors were not suspended or debarred.

Recommendation

We recommend that the County enhance its policies and procedures to ensure that the required suspension and debarment verifications are performed for vendors with contracts that are expected to equal or exceed the \$25,000 threshold.

Management's Response

During the course of fiscal year 2011, the Purchasing Office changed standard practice during the award of contracts to verify that any new contractors awarded grant funded contracts were screened on www.epls.gov and not listed as suspended or debarred. Additionally, on June 1, 2011, management began a comprehensive screening of all grant vendors receiving \$25,000 or more during fiscal year 2011 to ensure they were not suspended or debarred. We will repeat the annual screening of existing vendors and continue screening new vendors in accordance with the recently adopted contract award practice.

Finding Reference: 2011-4

Federal Agency:	U.S. Department of Justice U.S. Department of Health and Human Services
Federal Program:	16.738, 16.804 – Byrne Memorial Justice Grants 93.959 – Addictions Prevention/Treatment Block Grants 93.778 – Medicaid
Compliance Requirement:	Allowable Activities/Costs (Payroll)
Type of Finding:	Significant Deficiency in Internal Control, Noncompliance

Condition/Context

Byrne Memorial Justice Grants – 3 employees tested were split funded between Federal Programs and only a portion of their time was allocated to the Byrne Memorial Justice Grants. None of the 3 employees had monthly time and effort certifications performed. 8 of 37 transactions tested were affected by this issue.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

Addictions Prevention/Treatment Block Grants - 17 employees tested were split funded between Federal Programs and only a portion of their time was allocated to the Addictions grants. None of the 17 employees had monthly time and effort certifications performed. 26 of 60 transactions tested were affected by this issue.

Medicaid - 9 employees tested were split funded between Federal Programs and only a portion of their time was allocated to the Medicaid grants. None of the 9 employees had monthly time and effort certifications performed. 13 of 40 transactions tested were affected by this issue.

Criteria

Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of work performed by the employee (OMB Circular A-122, Attachment B.8.h.3).

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods; and (d) they must be signed by the employee (OMB Circular A-87, Attachment B.8.h.4).

Cause

The FY10 single audit report was not issued until more than halfway through FY11, and the departments did not have enough time to implement the new time and effort procedures. As a result, the departments chose to wait for the start of FY12 to fully implement and correctly identify employees' time and effort certifications.

Effect

The Departments are not in compliance with federal allowability guidelines to allocate time to grants based on actual time spent working on each grant. In addition, the Departments may fail to detect and/or prevent the occurrence of non-compliant program activity. The entity may be required to pay questioned costs for unallowed activity.

Questioned Costs

The known questioned cost amount for the 3 Byrne Memorial Justice Grant employees is the total salary tested for those 3 employees, \$7,756. The known questioned cost amount for the 17 Addictions Prevention/Treatment Block Grant employees is the total salary tested for those 17 employees, \$42,230. The known questioned cost amount for the 9 Medicaid Grant employees is the total salary tested for those 9 employees, \$12,802.

Recommendation

We recommend that the Departments implement procedures and controls to ensure that time and effort certifications are obtained from the County employees on at least a monthly basis for those who are split-funded and a semi-annual basis for those charged 100%, stating the

ANNE ARUNDEL COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

percentage of time worked related to the program during the period covered by the certification. In addition, we recommend the County reiterate their procedures for documenting the review process and continue to stress the importance of consistent reviews and approvals.

Management's Response

During fiscal year 2011, management implemented the use of time and effort certifications and required their use for all Federal grants. For the grants noted, we will police the involved offices to ensure completion of the time & attendance certifications in fiscal year 2012.

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SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2011

Finding Reference: 2010-4, 09-02

Federal Agency: U.S. Department of Justice
U.S. Department of Health and Human Services
Federal Program: 16.804 – Byrne Memorial Justice Grants
93.959 – Addictions Prevention/Treatment Block Grants
93.044, 93.045, 93.053 – Special Programs for the Aging

Condition

Byrne Memorial Justice Grants - 3 County employees reviewed during our allowable activities/costs testing are charged 100% to the federal program. However, none of the 3 County employees have semi-annual time and effort certifications performed to support the distribution of their salaries. 10 of 10 transactions tested are affected by these 3 County employees.

Addictions Prevention/Treatment Block Grants - 3 County employees reviewed during our allowable activities/costs testing are split funded between federal programs and only a portion of their time is allocated to the Addictions Preventions/Treatment Grants. However, none of the 3 County employees have monthly time and effort certifications performed to support the distribution of their salaries. 9 of 40 transactions tested are affected by these 3 County employees.

Special Programs for Aging Grants - For 4 of 16 timesheets reviewed during our allowable activities/costs testing, the County employees' timesheets were not reviewed and approved by their direct supervisor. The County employees' affected by these transactions are charged 100% to the program. No signatures or evidence of approval exists to certify the distribution of their salaries.

Recommendation

We recommend that the Departments implement procedures and controls to ensure that time and effort certifications are obtained from the County employees on at least a monthly basis for those who are split-funded and a semi-annual basis for those charged 100%, stating the percentage of time worked related to the program during the period covered by the certification. In addition, we recommend the County reiterate their procedures for documenting the review process and continue to stress the importance of consistent reviews and approvals.

Current Year Status

Partially corrected in fiscal year 2011. During fiscal year 2011, management implemented the use of time and effort certifications and required their use. Once adopted by departments during the course of the year, this finding was addressed for the grants noted above. Refer to current year finding 2011-4.

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SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2011

Finding Reference: 2010-3, 09-03

Federal Agency: U.S. Department of Justice

Federal Program: 16.804 – Byrne Memorial Justice Grants

Condition

For one of two vendor contracts selected for testing, the County did not properly verify that the vendor was not suspended or debarred from receiving federal funds. We selected our sample from a total population of four vendors.

Recommendation

We recommend that the County enhance its policies and procedures to ensure that the required suspension and debarment verifications are performed for vendors with contracts that are expected to equal or exceed the \$25,000 threshold.

Current Year Status

Partially corrected in fiscal year 2011. During fiscal year 2011, the Purchasing Office changed standard practice during the award of contracts to verify that any contractors awarded grant funded contracts were screened on www.epls.gov and not listed as suspended or debarred. Additionally, on June 1, 2011, management completed a comprehensive screening of all grant vendors paid \$25,000 or more during fiscal year 2011 to ensure they were not suspended or debarred. Refer to current year finding 2011-3.